



## Integrated Governance Report

### BACKGROUND

The implementation of integrated good corporate governance for financial conglomerates is based on OJK Regulation No. 18/POJK.03/2014 and OJK Circular Letter No. 15/SEOJK.03/2015 dated May 25, 2017 on the Implementation of Integrated Good Corporate Governance for Financial Conglomerates. Pursuant to POJK No.18/2014, a financial conglomerate is required to have the Guideline of Integrated Good Corporate Governance by referring to conservative rules to assist Financial Services Institutions ("LJK") under the Financial Conglomerate to implement governance principles.

The Bank has applied Integrated Good Corporate Governance to improve the quality of Integrated Good Corporate Governance principles implementation, in order to promote more prudent governance in Maybank Indonesia Financial Conglomerate in accordance with the principles of transparency, accountability, responsibility, independency or professional, and fairness as well as to contribute to a stable financial system with sustainable growth that aims to add more competitive edges to the country.

### MAYBANK INDONESIA FINANCIAL CONGLOMERATE

Pursuant to POJK No.18/2014, a Financial Conglomerate shall implement Integrated Governance comprehensively and effectively and have in place a structure that consists of Primary Entity and Subsidiaries and/ or Related Entity and its Subsidiary. The Financial Conglomerate entails incorporated Financial Services Institutions such as banks, financing companies, securities companies, insurance, and reinsurance companies.

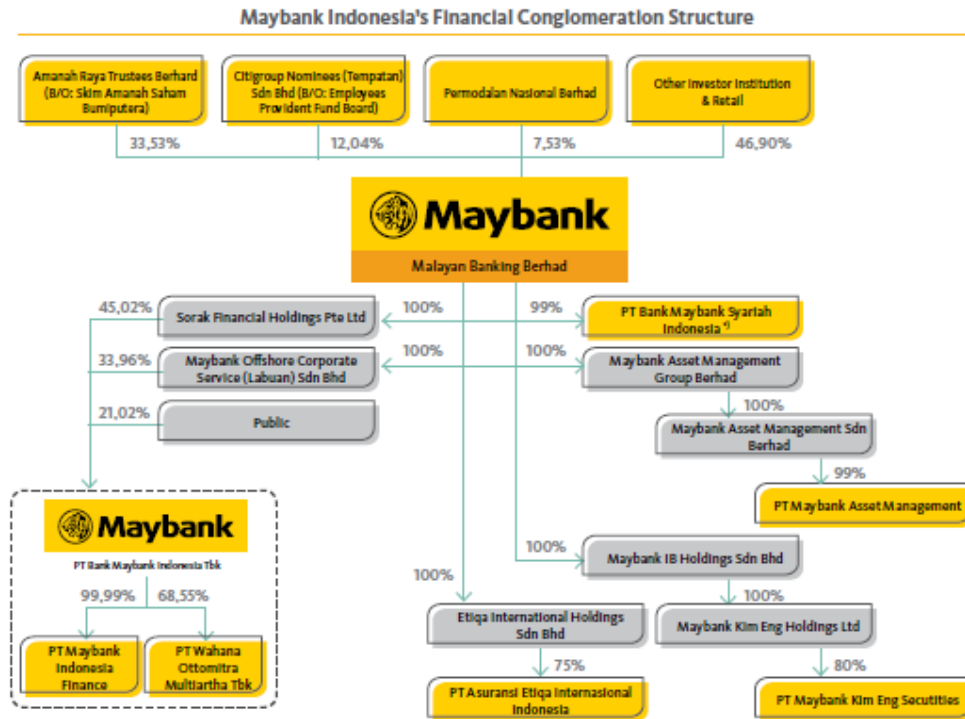
LJKs under one group or affiliated in terms of ownership and/ or control are required to form a Financial Conglomerate. The structure of Financial Conglomerate consists of Primary Entity and subsidiary and/or related party entities. The Financial Conglomerate entails LJKs incorporated as banks, insurance, and reinsurance companies, securities companies, and/or financing companies.

In terms of structure, the Financial Conglomerate is a group formed based on ownership and control relations, the controlling shareholder of the Financial Conglomerate shall designate a Primary Entity. The Malayan Banking Berhad ("MBB") as the controlling shareholder of the Maybank Group in Indonesia has designated Maybank Indonesia as the Primary Entity through its letter dated March 27 2015. The designation is based on the criteria of the largest asset size and/or the quality of risk management implementation. Maybank Indonesia Financial Conglomerate consists of Maybank Indonesia as the Primary Entity, and other LJKs as subsidiary entities or affiliated companies, namely PT Maybank Indonesia Finance (multifinance company), PT Wahana Ottomitra Multiartha Tbk (WOM) (multifinance company), PT maybank Syariah Indonesia (Shariah Bank), PT Maybank Asset Management (Investment Manager and Consultation), and PT Maybank Kim Eng Securities (MKES) (securities brokerage). In 2018, Maybank Indonesia Financial Conglomerate added a LJK, namely PT Asuransi Asoka Mas (insurance company) as member.

Pursuant to the Decision of the Board of Commissioners Meeting dated May 22, 2015, the Bank established the Integrated Good Corporate Governance Committee of the Maybank Indonesia Financial Conglomerate to conform with POJK No.18/2014, thus the Bank as the Primary Entity is required to implement Integrated Good Corporate Governance.

\*) no longer a member of the Maybank Indonesia Financial Conglomerate since January 31 2020

## MAYBANK INDONESIA'S FINANCIAL CONGLOMERATION STRUCTURE



\*) Since 31 January 2020 is no longer became the member of Maybank Indonesia Financial Conglomeration

### INTEGRATED GOVERNANCE GUIDELINES

As stipulated in OJK Regulation No.18/2014, Governance framework for Financial Conglomerates is a minimum guideline that must be obeyed by the Financial Conglomerate so the same level of governance implementation will be achieved in all Financial Services Institutions under the Financial Conglomerate. The preparation of TKT framework refers to OJK Regulation No.18/2014 and the governance provisions applicable to each of the LJK under Financial Conglomerate. To implement integrated governance all LJK Members of the Financial Conglomerate.

To allow LJK members of Maybank Indonesia Financial Conglomerate to implement Integrated Governance, the Bank has conducted the following:

1. Establish Integrated Governance Committee;
2. Issue Integrated Governance Guideline;
3. Issue Integrated Governance Committee Charter
4. Establish integrated units, among others:
  - a. Integrated Compliance Unit ("SKKT");
  - b. Integrated Internal Audit Unit ("SKAIT");
  - c. Integrated Risk Management Unit ("SKMRT");
5. Deliver the Integrated Governance Guidelines to all LJK Members of Maybank Indonesia Financial Conglomerate.

The Integrated Governance Guidelines were prepared by the Board of Directors of the Bank and have been approved by the Board of Commissioners. The Integrated Governance Guidelines shall at least cover 2 (two) major sections of the Guidelines with their respective applications, including:

1. Integrated Good Corporate Governance Framework for Main Entities; and
2. Integrated Good Corporate Governance Framework for LJK members of the Maybank Indonesia Finance Conglomerate.



Guideline Framework of Primary Entity Integrated Good Corporate Governance	Guideline Framework of LJK Member Integrated Good Corporate Governance
<p>a. Requirement of the Board of Directors and Board of Commissioners of the Primary Entity;</p> <p>b. Duties and Responsibilities of the Board of Commissioners of the Primary Entity;</p> <p>c. Duties and responsibilities of the Integrated Good Corporate Governance Committee;</p> <p>d. Duties and responsibilities of the Integrated Compliance Unit;</p> <p>e. Duties and Responsibilities of the Integrated Internal Audit Unit; and</p> <p>f. Implementation of integrated risk</p>	<p>a. Requirements of the Board of Directors and Board of Commissioners' candidates';</p> <p>b. Candidate requirements for members of the Shariah Supervisory Board;</p> <p>c. Structure of the Board of Directors and Board of Commissioners;</p> <p>d. Structure of the Shariah Supervisory Board;</p> <p>e. Independency of Board of Commissioners' actions;</p> <p>f. Implementation of LJK management function by the Board of Directors;</p> <p>g. Implementation of the monitoring function by the Board of Commissioners;</p> <p>h. Implementation of the monitoring function by the Shariah Supervisory Board;</p> <p>i. Implementation of the compliance function, internal audit function, and implementation of external audit;</p> <p>j. Implementation of risk management function; k. Remuneration policy; and l. Management of conflict and interests</p>

### INTEGRATED GOOD CORPORATE GOVERNANCE IMPLEMENTATION ASSESSMENT REPORT FOR FINANCIAL CONGLOMERATE

Pursuant to the provisions of POJK No.18/2014 and SE OJK No.15/2015, as the Primary Entity, Maybank Indonesia shall prepare the Integrated Governance assessment report bi-annually and the annual Integrated Governance implementation report, which will be submitted to the Financial Services Authority.

Throughout 2019, Bank as the Primary Entity has assessed its Integrated Governance Implementation for the 1<sup>st</sup> and 2<sup>nd</sup> Half positions. The Integrated Governance Implementation Assessment for Financial Conglomerate is divided into 3 (three) Integrated Governance aspects, namely the Structure, Process, and Outcome of Integrated Good Corporate Governance.

#### 1. Structure

Aims to measure the adequacy of Integrated Good Corporate Governance structure that will ensure that Integrated Good Corporate Governance implementation will generate the outcome as expected by all stakeholders.

#### 2. Process

Aims to assess the effectiveness of Integrated Good Corporate Governance Implementation process that is supported by adequate Integrated Good Corporate Governance Structure to produce outcomes that would

meet the expectations of stakeholders.

#### 3. Outcome

a. Aims to assess the quality of outcome that meet the expectation of stakeholders, covering both qualitative and quantitative aspects, among others:

- performance of the Financial Conglomerate, such as efficiency and capitalization;
- adequacy of annual report transparency on Integrated Good Corporate Governance implementation;
- objectivity in conducting assessment or audit;
- Level of compliance with the applicable provisions and resolutions of problems facing LJK such as fraud, violation of provisions related to LJK report to the Financial Services Authority; in accordance with their respective sectors of financial services.

b. The assessment result of Integrated Good Corporate Governance has 5 (five) rating categories, namely:

- Rank 1;
- Rank 2;
- Rank 3;
- Rank 4; and
- Rank 5.

## FACTORS OF ASSESSMENT OF INTEGRATED GOOD CORPORATE GOVERNANCE IMPLEMENTATION IN FINANCIAL CONGLOMERATE

Integrated Good Corporate Governance assessment entails at least 7 (seven) assessment factors, namely:

1. Performance of duties and responsibilities of the BOD of the Primary Entity;
2. Performance of duties and responsibilities of the BOC of the Primary Entity;
3. Roles and responsibilities of the Integrated Good Corporate Governance Committee;
4. Roles and responsibilities of the Integrated Compliance Unit;
5. Roles and responsibilities of the Integrated Internal Audit Unit;
6. Implementation of Integrated Risk Management;
7. Development and implementation of Integrated Good Corporate Governance guidelines.

Comparison in rating of Integrated Governance Implementation Report for period of June 2019 and December 2019

No.	Indicator	June 2019	December 2019
1.	Board of Directors of the Primary Entity	1	1
2.	Board of Commissioners of the Primary Entity	2	1
3.	Corporate Governance Committee	1	1
4.	Integrated Compliance Unit	1	1
5.	Integrated Audit Unit	1	1
6.	Implementation of Integrated Risk Management	1	1
7.	Integrated Good Corporate Governance Guidelines	1	1
<b>Peringkat</b>		<b>"2"</b>	<b>"1"</b>

\*) Rank adjustment was made through conservative approach

## RESULT OF INTEGRATED GOOD CORPORATE GOVERNANCE SELF ASSESSMENT OF MAYBANK INDONESIA FINANCIAL CONGLOMERATE

The result of Integrated Governance self-assessment of Maybank Indonesia Financial Conglomerate for the 1<sup>st</sup> and 2<sup>nd</sup> Semester position in 2019 was in "Rank 2" ("Good"). Weaknesses in Integrated Good Corporate Governance implementation were not significant and can be resolved with normal business actions by the Bank's management.

## ANNUAL REPORT OF INTEGRATED GOOD CORPORATE GOVERNANCE IMPLEMENTATION IN 2019

The Bank as the Primary Entity in the Maybank Indonesia Financial Conglomerate has submitted the 2019 Annual Report on Integrated Good Corporate Governance Implementation. The Annual Report was prepared by referring to:

1. OJK Regulation No. 18/POJK.03/2014 dated November 19, 2014 on the Implementation of Integrated Governance for Financial Conglomerates;
2. OJK Circular Letter No. 15/SEOJK.03/2015 dated May 25, 2015 on the Implementation of Integrated Good Corporate Governance for Financial Conglomerates.
3. OJK Regulation No. 55/POJK.03/2016 dated December 9, 2016 on the Implementation of Governance for Commercial Banks;
4. OJK Circular Letter No.13/SEOJK.03/2017 dated March 17, 2017 on the Implementation of Governance for Commercial Banks.

The Annual Report on Integrated Good Corporate Governance Implementation of Maybank Indonesia Financial Conglomerate consists of:

1. Self Assessment Report on Integrated Good Corporate Governance Implementation during the 2018 fiscal year;
2. Structure of the Financial Conglomerate;
3. Shareholding structure in the Financial Conglomerate that describes the parties that are shareholders of the Financial Services Institutions (LJK) in the Financial Conglomerate to the ultimate shareholders;
4. Management structure at the Bank as the Primary Entity and LJK (Subsidiary) in the Financial Conglomerate;
5. Intra-Group Transaction Policy;
6. Integrated Governance Committee;
7. Maybank Indonesia Governance Implementation Report, consisting of:
  - a. Transparency of Governance Implementation as stipulated in point IX of OJK Circular Letter No. 13/SEOJK.03/2017 on the Implementation of Governance for Commercial Banks; and;
  - b. The 2016 Self-Assessment Report of Governance Implementation as stipulated in Attachment IV of OJK Circular Letter No. 13/SEOJK.03/2017 on the Implementation of Governance for Commercial Banks.

## ESG APPLICATION INITIATIVE

ESG (Environmental), Social (Social), Governance (Governance) aspects are the key concern of banks in carrying out their functions. The Bank periodically identifies its credit portfolios that have met the Environmental, Social and Governance/LST criteria. The Bank has identified at least 39% (as of December 2019) of its credit portfolio that meet these criteria. The Bank continues to monitor and commit itself to increasing the amount of the portfolio on condition that the portfolio is consistent with the Bank's risk appetite.

It is expected that the Bank will be able to adopt and implement ESG practices in its business operations in or less in 5 years after this RAKB started. The following are some the strategic steps taken to achieve these goals:

- a. Increased human resource capabilities including the availability of new employee skill sets needed to support the realization of sustainable finance,
- b. Integrate ESG aspects in developing policy and risk management in business activities
- c. Adjustment of operational work tools and IT (including bank infrastructure),
- d. Making banking products and services solutions to support sustainable finance and followed by continuous development
- e. Increase financing portfolio growth in LST-based business activities in stages.

#### **BAD CORPORATE GOVERNANCE PRACTICES**

Maybank Indonesia realizes awareness of the neagative impacts of bad governance practices will disrupt its already established Good Corporate Governance (GCG) practices. During 2019, the Bank showed its commitment to not make any action nor policy associated with bad corporate governance practices as shown in the table below:

Description	Practice
Reported as a company which pollutes the environment	None
Reported as a company that failed to disclose its Annual Report significant cases encountered by it and its subsidiaries, incumbent members of the Board of Directors and/or members of its Board of Commissioners.	None
As a company incompliant with tax regulations	None
Discrepancies in the presentation of the annual report and financial report with the prevailing regulations and Financial Accounting Standards (SAK)	None
Face with labor- and employee-related issues	None
A listed company that fails to disclose operation segment	None
Discrepancy between the Annual Report's hardcopy and the Annual Report's softcopy	None